

NORTHERN INDIANA PUBLIC SERVICE COMPANY

RATE SCHEDULE FOR PURCHASES FROM COGENERATION AND SMALL POWER PRODUCTION FACILITIES

No. 1 of 5

TO WHOM AVAILABLE

Available to cogeneration and/or small power production facilities which qualify under the Order of the Indiana Utility Regulatory Commission in Cause No. 37494 and 170 I.A.C. 4-4.1 Section 1. A contract shall be required between the Company and each cogenerator or small power producer (qualifying facility), setting forth all terms and conditions governing the purchase of electric power from the qualifying facility.

INTERCONNECTION CONDITIONS

The qualifying facility shall comply with the National Electric Safety Code as supplemented by United States of America Standards Institute November 29, 1967, as USA Standard C2.2b-1967 (UDC 621.316.9), state and local safety laws. The qualifying facility may parallel its 60 hertz electric generation equipment and system with the Company's 60 hertz electric generation equipment and system, and shall so regulate its electric system so as not to cause excessive pulsations or fluctuations in the current or voltage in the Company's system. The qualifying facility shall install, operate, own and maintain in good order such relays, locks and seals, breakers, automatic synchronizers and other control and protective apparatus as shall be designated by the Company for parallel operation to its system, and shall bear full responsibility for the installation and safe operation of this equipment.

Breakers capable of isolating the qualifying facility from the Company's lines shall be at all times immediately accessible to the Company. The Company may unilaterally isolate the qualifying facility from the Company's lines if the Company believes continued parallel operation with the facility either creates or contributes to a system emergency.

PURCHASE RATES

The Company will pay for energy and capacity received from the qualifying facility on a monthly basis as follows:

Energy Component

Payments for energy to qualifying facilities will be as follows:

- A. For those qualifying facilities for whom metering capable of recognizing different rating periods is installed:

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Issued By
Edmund A. Schroer
Chairman and President
Hammond, Indiana

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NORTHERN INDIANA PUBLIC SERVICE COMPANY

**RATE SCHEDULE FOR PURCHASES FROM COGENERATION
AND SMALL POWER PRODUCTION FACILITIES**

Twenty First Revised
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PURCHASE RATES (Continued)

	<u>2007 Rate Per KWH</u>
Summer Period (May - Sept.)	
On-Peak (1)	3.117 cents
Off-Peak (2) (5)	2.486 cents
Winter Period (Oct. - Apr.)	
On-Peak (3)	3.177 cents
Off-Peak (4) (5)	2.554 cents

(1) Monday through Saturday 8 a.m. to 11 p.m.
(2) Monday through Saturday 11 p.m. to midnight and midnight to 8 a.m. and all day Sunday.
(3) Monday through Friday 8 a.m. to 11 p.m.
(4) Monday through Friday 11 p.m. to midnight and midnight to 8 a.m. and all day Saturday and Sunday.
(5) The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will be included in the Off-Peak period.

- B. For those qualifying facilities for whom metering not capable of recognizing different rating periods is installed:

	<u>2007 Rate Per KWH</u>
Summer Period	2.824 cents
Winter Period	2.834 cents

Energy metered during any billing period more than half of which is in any month of May to September, inclusive, shall be calculated under the summer rate schedule. Energy credited during other periods of the year shall be calculated under the winter rate schedule.

2007 Capacity Component

\$4.22 per KW per month.

The monthly capacity component shall be adjusted by the following factor:

$$F = \frac{E_p}{(K)(T_p)}$$

Where F = Capacity component adjustment factor.

E_p = Kilowatt-hours delivered to the Company during the On-Peak period defined as:

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PURCHASE RATES (Continued)

Summer - Monday through Saturday 8 a.m. to 11 p.m.

Winter - Monday through Friday 8 a.m. to 11 p.m.

The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will not be included in the On-Peak period.

K = Kilowatts of capacity the qualifying facility contracts to provide.

T_p = Number of hours in the peak period.

The KW capacity available and the kilowatt-hours in the peak period shall be determined by a suitable recording type instrument.

For intended purchases of 72,000 kilowatt-hours or more per month from a qualifying facility, the Company and the qualifying facility may agree to increase or decrease the rate for energy purchase in recognition of the following factors:

- (1) the extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the Company generation facilities;
- (2) the relationship of the availability of energy from the qualifying facility to the ability of the Company to avoid costs, particularly as is evidenced by the Company's ability to dispatch the qualifying facility;
- (3) the usefulness of energy from the qualifying facility during system emergencies, including the ability of the qualifying facility to separate its load from its generation.

The Company and qualifying facility may negotiate a rate for energy or capacity purchase which differs from this filed rate.

DETERMINATION OF AMOUNT OF ENERGY PURCHASED

To properly record the number of kilowatt-hours, and where applicable, kilowatts of purchases, the Company and the qualifying facility shall mutually agree on the metering configuration to be utilized in accordance with 170 I.A.C. 4-4.1 Section 7 (b). The metering facilities shall be installed and will be owned by the Company, and the qualifying facility will be required to reimburse the Company for the installed cost of said metering equipment. The Company need not purchase at the time of a system emergency.

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RATES FOR SALE BY COMPANY

Back-up power shall be provided in accordance with Appendix A to this rate schedule.
Maintenance power shall be provided in accordance with Appendix B to the rate schedule.
Supplementary power shall be provided in accordance with Appendix C to this rate schedule.

GENERAL TERMS AND CONDITIONS FOR PURCHASE

1. CONTRACT

Any cogenerator or small power producer requesting service under this rate shall enter into a written contract for an initial period of not less than one year.

2. INTERRUPTION OR CURTAILMENT OF PURCHASE

The Company reserves the right to interrupt purchase at any time when necessary to make emergency repairs. For the purpose of making other than emergency repairs, the Company reserves the right to disconnect the qualifying facility's electric system for four (4) consecutive hours on any Sunday, or such other day or days as may be agreed to by the qualifying facility and the Company, provided forty-eight (48) hours' notification previous to the hour of cut-off is given the qualifying facility of such intention.

3. ADDITIONAL LOAD

The qualifying facility shall notify the Company in writing of any substantial additions to or alterations in the equipment supplying electric energy to the Company and such additions or alterations shall not be connected to the system until such notice shall have been given by the qualifying facility and received by the Company.

4. DISCONTINUANCE OF PURCHASE

The Company shall have the right to cut off and discontinue the purchase of electric energy and remove its metering equipment and other property when there is a violation by the qualifying facility of any of the terms or conditions of the contract.

5. FORCE MAJEURE

Neither the Company nor the qualifying facility shall be liable to the other for damages caused by the interruption, suspension, reduction or curtailment of the delivery of electric energy hereunder due to occasioned by or in consequence of, any of the following causes or contingencies, viz; acts of God, the elements, storms, hurricanes, tornadoes, cyclones, sleet, floods, lightning,

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earthquakes, landslides, washouts or other revulsions of nature, epidemics, accidents, fire, collisions, explosions, strikes, lockouts, differences with workmen or other industrial disturbances, vandalism, sabotage, riots, inability to secure cars, coal, fuel or other materials, supplies or equipment, breakage or failure of machinery, generating equipment, electrical lines or equipment, wars, insurrections, blockades, acts of the public enemy, arrests and restraints of rulers and people, civil disturbances, federal, state or other governmental laws, orders, decrees, restraints or regulations, and any other causes or contingencies not within the control of the party whose performance is interfered with, whether of the kind herein enumerated or otherwise. Settlement of strikes and lockouts shall be wholly within the discretion of the party having the difficulty. Such causes or contingencies affecting performance shall not relieve the Company or the qualifying facility of liability in the event of failure of either to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies or any thereof relieve either from its obligation to pay amounts due.

WHERE AVAILABLE

ALL TERRITORY FURNISHED ELECTRIC SERVICE.

Supersedes Rate Schedule for Purchases from Cogeneration and small Power Production Facilities effective September 1, 1982.

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NORTHERN INDIANA PUBLIC SERVICE COMPANY
RATE SCHEDULE FOR PURCHASES FROM COGENERATION
AND SMALL POWER PRODUCTION FACILITIES
BACK-UP POWER

APPENDIX A
Second Revised
Page 1 of 2

Back-up power is electric energy and capacity provided by the Company to a Customer to replace energy, ordinarily generated by the Customer's qualifying facility, during an unscheduled outage of the qualifying facility.

When the energy used is exclusively for residential purposes, billing will be calculated on the provisions of the Company's Residential Rate Schedule 811, or a successor rate schedule as provided by law.

When the energy used is for non-residential purposes, billing will be calculated on the provisions of the Company rate schedule upon which the Customer has existing service. When a Customer receives only Back-up and/or Maintenance power from the Company, billing will be calculated on the provisions of the Company's General Service--Large Use Rate Schedule 824, or a successor rate schedule as provided by law.

The following alternative is available to each generating unit of a qualifying facility under a minimum three (3) year contract if elected by the Customer. If this alternative Back-up Power Charge is elected by the Customer, the alternative Maintenance Power Charge shall also be applicable.

Back-up Power Capacity Charge to be billed monthly, which provides for service rendered for all outages other than scheduled maintenance, shall be as follows:

Monthly Base Cost:

\$0.003945 per KW per month times the number of hours selected for each month of the contract period for each KW of the net demonstrated capability of each generating unit for the hours of use selected for back-up per year.

Excess Hours Use Cost:

\$0.003945 times 24 per KW hour equals the rate for each kilowatt hour of use over the number of hours selected of use per year.

Back-up Power Energy Charge to be billed monthly shall be as follows:

37.073 mills per KWH for Customers eligible to take service on Rate Schedules 832 and 833, or the successor rate schedules as provided by law.

The applicable rate block for the energy used for Customers on Rate Schedule 824, or the successor rate schedule as provided by law.

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Gary L. Neale

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Chairman, President and Chief Executive Officer

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Merrillville, Indiana

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NORTHERN INDIANA PUBLIC SERVICE COMPANY
RATE SCHEDULE FOR PURCHASES FROM COGENERATION
AND SMALL POWER PRODUCTION FACILITIES

APPENDIX A
Revised
Page 2 of 2

The above energy charges shall be adjusted for the applicable Fuel Cost Adjustment and Rate Adjustment.

The Customer must provide separate metering for each unit of generation, and in the event of the loss of a unit, the Customer's total KW demand and associated RKVAH for billing of the firm rate will be adjusted by deducting the load which was normally on the generator for each half hour during the time of the outage. The KWH to be billed at the aforementioned Back-up Power Energy Charge shall be the KWH accumulated from these same normal loads on the generator during each half hour of the outage.

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NORTHERN INDIANA PUBLIC SERVICE COMPANY
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MAINTENANCE POWER

APPENDIX B
Second Revised
Page 1 of 2

Maintenance power is electric energy and capacity provided by the Company to a Customer during a scheduled outage of the Customer's qualifying facility.

When the energy used is exclusively for residential purposes, billing will be calculated on the provisions of the Company's Residential Rate Schedule 811, or a successor rate schedule as provided by law.

When the energy used is for non-residential purposes, billing will be calculated on the provisions of the Company rate schedule upon which the Customer has existing service. When a Customer receives only Back-up and/or Maintenance power from the Company, billing will be calculated on the provisions of the Company's General Service--Large Use Rate Schedule 824, or a successor rate schedule as provided by law.

The following alternative is available to each generating unit of a qualifying facility under a minimum three (3) year contract if elected by the Customer. If this alternative Maintenance Power Charge is elected by the Customer, the alternative Back-up Power Charge shall also be applicable.

Scheduled Maintenance Capacity Charge to be billed monthly shall be as follows:

Monthly Base Cost:

\$0.001801366 per KW per month times the number of hours selected divided by number of years selected for each month of the contract period for each KW of net demonstrated capability of each generating unit for the hours selected of use in each selected years of the consecutive contract year period.

Excess Hours Use Cost:

\$0.001801366 times 24 per KW hour equals the rate for each kilowatt hour of use over the selected hours in the same selected consecutive contract year period.

Maintenance Power Energy Charge to be billed monthly shall be as follows:

37.073 mills per KWH for Customers eligible to take service on Rate Schedules 832 and 833, or the successor rate schedules as provided by law.

The applicable rate block for the energy used for Customers on Rate Schedule 824, or the successor rate schedule as provided by law.

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NORTHERN INDIANA PUBLIC SERVICE COMPANY
RATE SCHEDULE FOR PURCHASES FROM COGENERATION
AND SMALL POWER PRODUCTION FACILITIES
MAINTENANCE POWER

APPENDIX B
Revised
Page 2 of 2

The above energy charges shall be adjusted for the applicable Fuel Cost Adjustment and Rate Adjustment.

The Customer must provide separate metering for each unit of generation, and in the event of the loss of a unit, the Customer's total KW demand and associated RKVAH for billing of the firm rate will be adjusted by deducting the load which was normally on the generator for each half hour during the time of the outage. The KWH to be billed at the aforementioned Back-up Power Energy Charge shall be the KWH accumulated from these same normal loads on the generator during each half hour of the outage.

The Customer has the right to have scheduled maintenance outages not to exceed the hours selected to a maximum of 4,000 hours in each consecutive contract year period.

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SUPPLEMENTARY POWER

APPENDIX C

Supplementary power is electric energy and capacity provided by the Company to a Customer with a qualifying facility, in addition to that which the qualifying facility generates.

When the energy used is exclusively for residential purposes, billing will be calculated on the provisions of the Company's Residential Rate 811, or a successor rate schedule as provided by law.

When the energy used is for non-residential purposes, billing will be calculated on the provisions of the Company rate schedule upon which the Customer has existing service.

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